

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6827

BILL NUMBER: SB 331

NOTE PREPARED: Feb 22, 2008

BILL AMENDED: Feb 21, 2008

SUBJECT: Health Insurance.

FIRST AUTHOR: Sen. Mishler

FIRST SPONSOR: Rep. Fry

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill defines "dependent" for purposes of the laws regulating policies of accident and sickness insurance and health maintenance organization (HMO) contracts. It amends provisions requiring coverage of dependents under a policy of accident and sickness insurance or a health maintenance organization contract. The bill specifies requirements for coverage of dialysis treatment under a policy of accident and sickness insurance or an HMO contract.

Effective Date: (Amended) Upon passage; July 1, 2008.

Explanation of State Expenditures: (Revised) *State Employee Health Benefits.* The bill would affect the state to the extent that the state contracts with an HMO for health services. Welborn HMO Plan is available to state employees that live or work in Daviess, Dubois, Gibson, Knox, Perry, Pike, Posey, Spencer, Vanderburgh, and Warrick Counties. In order to provide the coverage necessary to meet the proposal, Welborn could experience an increase in costs that may be passed on to the state.

Any increase may not necessarily imply additional budgetary outlays since the state's response to increased health benefit costs may include (1) greater employee cost-sharing in health benefits; (2) reduction or elimination of other health benefits; and (3) passing costs onto workers in the form of lower wage increases than would otherwise occur. It is unknown at this time if the state would absorb added costs or pass the costs on to employees.

(Revised) *Department of Insurance (DOI).* The bill will add administrative expenses to the DOI. The DOI should be able to implement these provisions given its existing level of resources. Violations of the provisions of the bill are unfair and deceptive acts in the business of insurance which may be subject to a

hearing by the Commissioner of Insurance. Adding a violation to the unfair and deceptive acts provisions could increase the number of violations for which a hearing may ensue. However, the DOI should be able to conduct any additional hearings given its current level of budget and resources.

Explanation of State Revenues: (Revised) *Department of Insurance*. As a result of a hearing, violators may be ordered to cease and desist from the unfair or deceptive act or practice and the Commissioner may order the payment of a civil penalty of not more than \$25,000 for each act or violation. If the person knew or reasonably should have known that he or she was in violation, the penalty may be not be more than \$50,000 for each act or violation. All civil penalties imposed and collected are deposited in the state General Fund.

Explanation of Local Expenditures: School corporations and local governments purchasing health benefit coverage could see a change in expenditures for health insurance. The specific impact is indeterminable, but would depend on current health care coverage and cost sharing of health benefit premiums, which could vary widely by locality.

Explanation of Local Revenues:

State Agencies Affected: DOI; State Personnel Department.

Local Agencies Affected: Local governments and school corporations.

Information Sources: DOI; State Personnel Department.

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